



TrendWatch 2019

# Survival of the Fittest:

Will Your Financial Institution Evolve and Win?

With merger and acquisition activity on the rise, technology in constant flux, and fintechs reshaping financial services, it's no wonder financial institutions are feeling vulnerable.

None of this disruption is “new news,” but it has prompted a certain self-reflection among banks and credit unions:

Are we  
doing enough to distinguish ourselves?  
visible and relevant?  
staying ahead of the curve?

These are questions of self-preservation — of being on the winning side of the battle for customer engagement. In today's competitive financial services world, they are indeed questions of survival.

When Darwin talked about survival of the fittest, he defined “fittest” as “being better designed for an immediate, local environment.” That's precisely what financial institutions must do today — set themselves up to successfully adapt to their specific markets.

With this in mind, the trends we see for the coming year involve big battles for growth and results. How can a financial institution distinguish itself? Our trends illuminate the opportunity for financial institutions to be faster, smarter, and more engaged with their customers — to adapt, thrive and survive.

# 1

## Battle for Deposits

A rising interest rate environment is new to an entire generation of Americans — both bankers and consumers. For financial institutions, there's a growing sense of desperation for a large volume of deposits to fuel lending. For consumers, there's a new desire for meaningful return.

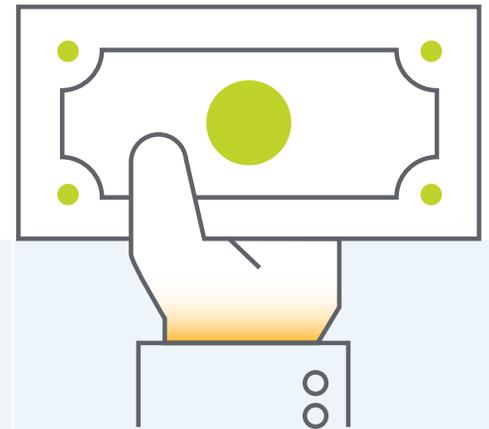
This consumer hunger for a high rate — coupled with lack of loyalty to a particular financial institution and relative ease of opening a CD or money market — is resulting in a fierce fight for deposits on the part of financial institutions.

Of course, building a strong deposit base is key to the balance sheet. According to Deloitte, “Banks that successfully target customers through sophisticated data analytics, make compelling product offers, and deliver strong digital experiences, could gain funding advantages and see slower increases in deposit costs. This targeting can be important, as post-crisis liquidity rules, particularly the liquidity coverage ratio, could fuel price wars for sticky retail deposits.”<sup>1</sup>

### The Harland Clarke Perspective: Pinpoint Top Prospects

It's not just any deposits financial institutions are after — it's high-dollar deposits. “Given the incredible volume of deposits required now, low-cost deposits alone won't suffice,” said Doug Roman, Director, Market Strategy at Harland Clarke. “Financial institutions are playing in the rate game, and they need those deposits *now*, before the next rate increase.”

To win the battle for deposits requires custom modeling, which will get you the mix of low-cost and high-dollar deposits you're seeking. This requires a much more targeted approach than a general acquisition campaign. You need a cost-effective way to help you identify the prospects with the substantial balances or investable assets and income you seek, along with a rate that will bring them to you immediately.



<sup>1</sup> Deloitte 2018 Banking Outlook, Accelerating the Transformation

# 2

## Battle for Loans

Oh, what an economy! Unemployment is down. Home prices are back. Consumers are buying cars and boats and second homes. They're using credit cards and going on vacation. Total outstanding U.S. consumer debt will soon top \$4 trillion.

Loan acquisition is consistently ranked among the top three priorities by financial institution marketers,<sup>2</sup> but competition is fierce and growing. It will not surprise you to learn, according to TransUnion, fintech companies were responsible for 36% of total personal loans in 2017, up from less than 1% in 2010.<sup>3</sup> Fintech mortgage lending is growing by 30% per year, with non-bank lenders originating \$161 million in residential mortgages in 2016. Fintech collaborations and partnerships are also transforming auto lending. General major banks have already partnered with fintechs to streamline the car loan application and decision process.

How can you outsmart, outreach and outperform these competitors to provide the essentials of speed, choice, ease and confidence that consumers want when it comes to loans?

The fintech companies have it right. They embrace the fact that consumers are interested in a fast application and approval process. They know that on average, 60% of borrowers commit to a loan offer within one week of initiating their search.<sup>4</sup> They understand the importance of taking the guesswork out of loan marketing and reducing loan application anxiety.

### The Harland Clarke Perspective: Always On, Always Wins

We believe that financial institutions need to look beyond conventional marketing campaign tactics and adopt an “always on” loan marketing philosophy. “Always on” means marketing without ceasing, with both proactive and reactive (triggered) strategies designed to engage consumers with FCRA-compliant, prescreened, firm offers of credit. Give consumers an easy way to access, review and accept prequalified offers — taking the friction out of the loan application experience — this is what works.

“Simply being there is not enough,” said Harland Clarke Executive Director, Lending Solutions Stephenie Williams. “As consumers are inundated with messaging that pitches hundreds of lending options from traditional and digital lenders, offering products and services consumers need — when they need them — is critical to avoiding missed opportunities.”



<sup>2</sup> Harland Clarke 2018 Survey of Financial Services Marketers

<sup>3</sup> TransUnion, “Fact or Fiction, Are Fintechs Different Than Other Lenders?,” 2018

<sup>4</sup> Harland Clarke client data, 2018

# 3

## Battle for Consumer Mindshare

It used to be that people turned to their bank or credit union for all things financial. Now, consumers have a wide variety of options for financial services. Therefore, as a financial institution, it's up to you to convince your customers and prospects that you are relevant — that you “know” them and have their best interests in mind.

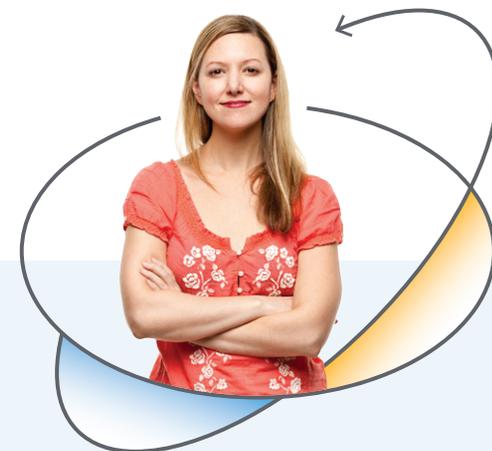
Remember, your customers actually like hearing from you. According to Accenture, account holders are open to digitally driven offerings with practical value — 38% would like their bank to help with major purchases by sending relevant information in real time.<sup>5</sup> And 42% want banks to send them information about services exactly as their need arises.<sup>6</sup> But 77% of marketers still lack a comprehensive view of the consumer to create more relevant experiences.<sup>7</sup>

According to CGI, “The collection, analysis and use of customer intelligence allows personalized and value-added products and services to be delivered. Customer data then needs to be collected and analyzed to develop a ‘360-degree view’ of each customer. With this level of customer knowledge, banks can transcend traditional banking to become relevant, valued financial partners to their customers.”<sup>8</sup>

### The Harland Clarke Perspective: Know Your Customers

“You’ve got to get your hands around the data — to spend the money to really be relevant,” said Stephen Nikitas, senior market strategist with Harland Clarke. “You have to know your customers and prospects to make them aware of the solutions they likely have a need for.”

Consumer mindshare comes down to relevancy — reaching the right customer with the right message about the right solution at the right time. They’re probably not going to come to you, so go to them with data-driven, on-point offers, reminders, solutions and information through all the channels they use, *including all of their devices*. Whether it is a credit offer, a mobile deposit incentive, financial planning services or even an instant-issue card, you need to be there with the relevant solutions that will appeal to your customers — even before they know they need them.



360-degree view  
of each customer

<sup>5</sup> Accenture, 2017 Global Distribution & Marketing Consumer Study, “Beyond Digital: How Can Banks Meet Customer Demands?”

<sup>6</sup> Ibid.

<sup>7</sup> CMO Council, Customer Experience Dynamics, 2017

<sup>8</sup> CGI, CGI: Understanding Financial Consumers in the Digital Era,” 2014

# 4

## Battle for Digital Superiority

Consumer expectations of their financial institutions are at an all-time high. Your customers expect to bank where and when they want to bank, in a seamless manner. This is especially true in the digital realm.

According to The Financial Brand, “Experiences with [non-banking industries] have shaped consumers’ expectations from banks and credit unions. As customers become more digital, more demanding and more tech-savvy, legacy bank infrastructure is strained to support new modes of engagement and grow digital efforts significantly. In response to increasing competitive pressures and people’s rising expectations, financial institutions around the world are investing aggressively in digital transformation projects.”<sup>9</sup>

Of course, continued investment in digital technologies is expensive — by 2020, U.S. financial institutions will allocate more than 40% of their annual IT budgets to digital transformation.<sup>10</sup> And while change is necessary, it’s not always easy. Each time a financial institution goes through a digital banking conversion or upgrade, there’s a high risk of customer frustration, slow adoption and, ultimately, attrition.

### The Harland Clarke Perspective: Focus on the Experience

Don’t let the customer experience take a back seat during digital banking conversions or upgrades. “There’s an opportunity to turn high-impact change events into high-value opportunities to strengthen your brand, stand apart from the competition and grow your business,” said Harland Clarke Senior Vice President, Product Development Geoff Thomas. “Good conversions lead to high satisfaction.”

As you invest in technology, also invest in a roadmap to conversion success and specialized resources to ease the transition.



<sup>9</sup> The Financial Brand, “10 Big Financial Technology Trends for 2018”

<sup>10</sup> IDC U.S. Banking Digital Transformation Spending Forecast, 2017-2020

# 5

## Battle for Relationship

When customers are highly engaged, they buy more products and services. They think of your organization as their primary financial institution. They're more loyal. These are the hallmarks of a relationship.

According to EverFi, while only 12% of financial institution customers are currently relationship-based customers, they are very high in value: they use one to two more products and services on average, and a majority (55%) of relationship-based consumers are very satisfied with their primary financial institution, compared to just 40% of transaction-based consumers.<sup>11</sup>

Fostering relationships is all about service. As much as digital reigns, customers like a human touch. This is especially true when there's a problem. According to JD Power's 2017 U.S. Retail Banking Satisfaction Study, "Unsuccessful problem resolution is highly correlated with low levels of satisfaction and high levels of customer attrition." The study says that overall satisfaction among customers whose problem was not resolved was only 564 points on a 1,000-point scale, and only 20% of these unsatisfied customers said they would reuse that bank. But when the problem is resolved, the satisfaction score rises to 812 — and loyalty increases to 58%.<sup>12</sup>

# 12%

of financial institution customers are currently relationship-based customers



### The Harland Clarke Perspective: Make Nurture Second Nature

"Instead of thinking of their business as selling financial products and services, progressive bankers proactively nurture and enhance customer satisfaction by helping customers reach their goals," said Terri Panhans, vice president of Harland Clarke's Engagement Center. "Whichever channel the customer prefers — an in-branch visit, a call, email, text or chat — be sure you're equipped to provide a personal touch."

Fostering relationships is important far beyond the short term. Keep in mind that as Baby Boomers retire, \$30 trillion is expected to change hands in the coming decades as they pass their wealth on to younger generations. Where will these beneficiaries turn with their new-found bounty? To the financial institutions they know and trust.

<sup>11</sup>EverFi, The Secret to Consumer Loyalty: Relationship Banking, 2018

<sup>12</sup>J.D. Power, 2017 U.S. Retail Banking Satisfaction Study

# Those Who Evolve, Survive

Where are you on the path to adapt to what Darwin called the “local environment”?

Will your financial institution survive and thrive?

It's clear that long-term survival requires a radical shift from selling products and services to providing a highly customer-focused, engagement-driven experience that meets customers where they are.

It's a battle. But Harland Clarke can help you win by creating engagement in meaningful ways, providing an outstanding experience at every touchpoint and turning it into a powerful competitive advantage.

Our strategic, data-driven marketing programs are designed specifically for financial institutions.

call **1.800.351.3843**,  
email us at [contactHC@harlandclarke.com](mailto:contactHC@harlandclarke.com)  
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